



California Public Utilities Commission

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News Release

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PUC CREATES ENFORCEMENT UNIT TO ROOT OUT TELECOMMUNICATIONS FRAUD; LAUNCHES MULTILINGUAL CONSUMER EDUCATION INITIATIVE

SAN FRANCISCO, March 2, 2006 – The California Public Utilities Commission (PUC) today adopted a decision designed to empower consumers and prevent fraud in the rapidly changing telecommunications industry. The decision launches a multilingual Consumer Education Initiative, steps up our enforcement activities, and expands the PUC's toll-free hotline for consumer complaints against wireless and other carriers.

"This decision is a prime example of the Commission's desire to use the power of market forces whenever possible in lieu of Commission edict," explains President Michael R. Peevey. "Static rules in a dynamic, competitive environment are not the best use of this Commission's resources. Instead, we should be providing timely information to educate consumers and promptly enforce our rules. These basic principles will stand the test of time even as the telecommunications market continues to evolve."

The PUC, as the result of today's decision, will put in place rules to resolve consumer complaints in 30 days. Among other efforts, we will lead a new Regulatory Complaint Resolution Forum, which will bring together carriers, consumer organizations, and government officials to identify trends and proactively address problems when they first develop.

The decision, sponsored by President Peevey, won by a narrow 3-2 margin over an alternate proposal sponsored by Commissioner Dian M. Grueneich. "Despite today's sound and fury, the Commission is resisting a knee jerk reaction to layer on dozens of over-regulatory new rules on a competitive telecom marketplace," said Commissioner Rachelle Chong. "Instead, the Commission found that plenty of laws and regulations exist, but what was lacking was timely complaint resolution and enforcement of the law. Our revolutionary new direction focuses on getting

information to consumers, particularly for non-English speaking communities, resolving complaints faster, and going after the bad actors that defraud or abuse telephone customers.”

“Today this Commission adopts an activist agenda for reform,” said Commissioner John Bohn. “Today’s decision strikes the appropriate balance between protecting consumers against nefarious actions in the marketplace and allowing competition, innovation, and consumer choice to flourish in the telecommunications marketplace.”

Enhanced Enforcement and Complaint Resolution Process

As part of today’s decision, the PUC took a tougher stance on enforcement of existing laws and regulations related to consumer fraud. Specifically, the PUC will create a special Telecommunications Consumer Fraud Unit (Fraud Unit) that will act as the consumer watchdog, monitoring fraud and complaint hotline trends; investigating alleged violations of laws and regulations; meeting regularly with outside law enforcement officials in order to compare information and coordinate enforcement activities; and reporting periodically to the PUC on the activities of Fraud Unit members.

The PUC also will make its consumer complaint process more “user-friendly.” California consumers who are victims of fraud can report their claims to dedicated personnel via the PUC’s existing toll-free hotline. We will promote the hotline number in the mass media and devote more staffing and resources to answering consumer calls. Allegations that a telecommunications carrier or its dealer or agent is engaged in fraudulent practices will receive priority attention by our staff. Consumers should call 1-800-649-7570 to report instances of fraud or to make complaints.

New Consumer Education Initiative

A key component of the PUC’s decision is the unveiling of a new Consumer Education Initiative focused on telecommunications. There is widespread agreement in this proceeding that consumer education, spearheaded by the PUC, would be beneficial to businesses and consumers alike. Consumer education is central to providing California residents with the tools they need to make informed decisions on communications services. The major goals of the consumer education program will be to inform consumers of the significant features of a service, technology, or a market that should affect their decision to purchase and to make consumers aware of the rights that they have under existing laws and regulations.

The PUC-led consumer education program will operate under a three-pronged strategy. The first prong is a broad-based information campaign that helps all consumers in the face of the complex and ever-changing array of telecommunications choices. The second prong consists of an education program designed to inform consumers of their rights. The third prong combines the first two prongs and focuses more on orienting those customers who are non-English or low-English proficiency speaking, seniors, disabled, or low-income. In the next six months, the PUC will work closely with community based organizations to create consumer education programs especially for these targeted communities.

Cramming

Today's decision adopts rules that prohibit the practice of "cramming," the placement of an unauthorized charge on a consumer's phone bill. The rules state that telephone companies may not collect charges for unauthorized charges. Consumers who argue they were crammed are not required to pay those charges unless and until the telephone company provides sufficient proof that authorization occurred. These rules, and similar ones that prevent the unauthorized switching of a consumer's long distance service (slamming), are critical to ensuring consumer choice and protecting consumers from fraud and abuse.

Report on Consumers with Limited English Proficiency

Parties to this proceeding testified that individuals with limited English proficiency can face two disadvantages in the telecommunications market. On the one hand, while carriers may provide accurate and useful information about their services in English, minority language customers may not understand it due to the language barrier. On the other hand, minority customers may be targeted for fraudulent and deceptive communications in their own languages by unscrupulous businesses that prey on minority language communities. The PUC expressed its concern about these issues and is committed to analyzing and publishing a report on "in-language" practices and any special disadvantages faced by telecommunications customers with limited English proficiency.

For more information on the PUC, please visit www.cpuc.ca.gov.

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